

Coal Trader

Friday, January 21, 2011

Platts Daily OTC Assessments, trade date Jan 20

Standard Product	FEB 11	Ch.	MAR 11	Ch.	Q2 11	Ch.	Q3 11	Ch.	Q4 11	Ch.	CY-12	Ch.
CAPP barge OTC	74.25	(1.25)	73.75	(1.75)	73.25	(1.50)	75.25	(1.25)	77.20	(1.20)	80.50	(1.25)
CAPP rail (CSX) OTC	71.50	(0.75)	72.50	(0.75)	73.90	(1.85)	76.55	(1.20)	79.00	(0.60)	82.00	(1.00)
PRB 8,800 OTC	13.30	0.05	13.40	0.05	13.60	0.00	14.05	0.00	14.30	0.00	14.90	0.00
PRB 8,400 OTC	11.20	0.05	11.30	0.05	11.25	0.00	11.35	0.00	11.40	0.00	11.70	0.00

The four assessments in this table were renamed effective Dec. 20, 2010; the underlying specifications and methodology were not changed, and remain the same as the Coal Trading Association specifications. CAPP barge OTC was previously named NYMEX 12,000/<1%; CAPP rail (CSX) OTC was CSX 12,500/1%; PRB 8,800 OTC was PRB 8,800/0.35%; and PRB 8,400 OTC was PRB 8,400/0.35%.

Cloud Peak, Enserco follow Arch on long march to Ridley Terminals

Arch Coal will be one of three US companies planning to ship Powder River Basin coal this year through Ridley Terminals in far-flung Prince Rupert, British Columbia, underscoring the aggressive steps producers are making to access Asian markets hungry for coal.

Cloud Peak Energy has inked a deal to

ship up to 1 million metric tons through the terminal this year, while Enserco Energy, a Denver-based coal marketer, plans to ship its first capesize cargo from Ridley in March or April, officials at both companies said Thursday.

Many coal transportation officials were taken by surprise this week when

Arch announced plans to move 2 million mt this year through Ridley, more than 2,000 railroad miles from the PRB. It was an aggressive move by the St. Louis-based company, which, according to a spokeswoman, has shipped less than 1 million tons from the West Coast over the past two years.

(continue on page 6)

Senator seeks to stop EPA, others from controlling GHGs

Next week, Senator John Barrasso, a Wyoming Republican, plans to introduce wide-ranging legislation to preempt the Environmental Protection Agency and other federal agencies from carrying out greenhouse gas emissions regulations that result in higher energy costs, his staff said.

Although final language was not available Thursday, the legislation may also seek to limit state and local authorities from proceeding to cap industry emissions of carbon dioxide and other GHGs.

"The Barrasso bill restates and reaffirms the will of Congress as the sole authority over federal climate change policy," the

(continue on page 6)

INSIDE THIS ISSUE

Market Commentary

CAPP thermal prices resume downward slide 2

News

Warrior underground mine resumes production 3

Groups appeal Alabama mining permit 4

UP reports strong Q4 revenue growth, profit 5

Coal, utility companies ink Chinese business 5

OTC Broker Index

Coal Product Specifications	Dec Final Monthly Average	Jan Final Monthly Average	Feb Daily Assessment	Daily Change	Q2 2011 Assessment	Daily Change	Q1 Average
NYMEX look-alike - 12,000 Btu/lb. -1%	66.70	73.17	74.40	(1.12)	73.25	(1.50)	68.35
CSX BS/K - 12,500 Btu/lb. -1%	67.25	68.75	71.18	(1.10)	73.90	(1.83)	69.75
PRB - 8,800 Btu/lb.	13.00	13.03	13.30	0.07	13.70	0.00	13.59
PRB - 8,400 Btu/lb.	9.50	10.34	11.15	0.27	11.48	0.41	10.88
CAPP 1% vs. Compliance spread	2.43	0.68	—*	—	—*	—	1.65

This index is done in cooperation with Evolution Markets, ICAP United, and TFS Energy. Today's index had 3 contributors. For comments or questions, e-mail: coal@platts.com. *To view Broker Index Methodology, visit: www.platts.com and click the "Coal" tab. *Due to insufficient participation, Platts is unable to calculate a valid index for CAPP 1%.

MARKET COMMENTARY

CAPP thermal prices resume downward slide

Prices for Central Appalachian thermal coal spilled lower Thursday, mirroring declining prices in the Atlantic basin, falling on inflation concerns in China and demand levels in the US, according to market sources.

Turnover continued to be moderate in the CAPP barge market. Front-month terms were quiet, with Q2 2011 trading as low as \$73.25/st, \$1.75/st below Wednesday's Platts assessment. CAPP barge prices were offered lower across the forward curve.

CAPP rail (CSX) physical prices tumbled lower, in line with losses in the barge market. Front-month February 2011 traded at \$71.50/st, \$1.25/st below the prior Platts assessment. Trading in CAPP rail was centered in the physical market, following heavy action in swaps on Wednesday.

Western rail markets were quiet, with sources telling Platts the bid/ask spreads inched higher in the Powder River Basin 8,800-Btu/lb market, while PRB 8,400 prices were pushed higher by an off-spec ex-Coal Creek trade.

Atlantic market prices fell. FOB Newcastle prices were weaker, with offers for March and April heard as low as \$136/mt and \$131/mt, respectively. Platts assessed the daily 90-day CIF ARA price at \$122.25/ mt, down \$1.75/mt.

The NYMEX February natural gas futures contract settled 13.4 cents higher at \$4.695/MMBtu following the announcement of a larger-than-expected draw on storage stocks. The contract opened Thursday at \$4.575/MMBtu and traded between \$4.525/MMBtu and \$4.704/MMBtu.

Northeast and mid-Atlantic power terms ended higher. In New England, Mass Hub February financial swaps were higher \$3.75 to \$68.50/MWh. Cinergy Hub February financial swaps were higher 75 cents to \$42/MWh and March-April stepped up 40 cents to \$38.25/MWh.

NYMEX February crude settled \$2.00 lower at \$88.86/

Coal Trader International OTC Benchmark, Jan 20 (US\$/mt)

Region	Btu/lb	Sulfur %	2Q 11	Change
Northwest Europe/ARA CIF	10,800	<1.0	122.25	-1.75

Coal Trader Spark Spreads

Coal	-Plus transport-		-Plus SO2-	
	\$/st	\$/MMBtu	\$/st	\$/MMBtu
CAPP barge OTC spark	80.50	3.35	80.58	3.36
CAPP rail (CSX) spark	83.50	3.34	83.58	3.34
PRB 8,800 OTC spark	25.05	1.42	25.08	1.42

Emission Allowances

	SO2		NOx
	Cincinnati	Atlanta	Kansas City
Current vintage	4.00		30
Natural Gas (\$/MMBtu)	4.78	4.55	4.46
Electricity (\$/MWh)	52.50	44.71	39.00

Generating (\$/MWh)	Gas Hub	Coal Alone	Coal Plus: SO2
Cincinnati	38.24	33.54	33.58
Atlanta	36.40	33.40	33.43
Kansas City	35.68	14.23	14.25

Spark Spreads Hub	Gas	Coal Alone	Coal Plus: SO2
Cincinnati	14.26	18.96	18.92
Atlanta	8.31	11.31	11.28
Kansas City	3.32	24.77	24.75

Assumptions:

Heat rate of 10,000 Btu/kWh (34% efficiency) for typical coal plant, 8,000 Btu/kWh (45%) for typical gas plant. "Without controls" assumes neither SO2 nor NOx controls. Assumed NOx rate: with controls, 0.15 lb/MMBtu; without controls, 0.60 lb/MMBtu. Coals are:
 -CAPP barge OTC (12,000 Btu/lb, 1.67 lb SO2/MMBtu), barged to Cincinnati at \$6.25/st
 -CAPP rail (CSX) OTC (12,500 Btu/lb, 1.5 lb SO2/MMBtu), railed to Atlanta at \$12/st
 -PRB 8,800 OTC (8,800 Btu/lb, 0.8 lb SO2/MMBtu), railed to Kansas City at \$11.75/st
 * Plants in Georgia (Atlanta) and Missouri (Kansas City) not yet subject to NOx SIP Call limitations; numbers are illustrative of NOx costs only.
 Standard coal products and associated spark spreads were renamed Dec. 20, 2010. CAPP barge OTC spark was previously named NYMEX; CAPP rail (CSX) OTC spark was CSX 1%; PRB 8,800 OTC spark was PRB 8800.



Friday, January 21, 2011

1555-3485

Team Leader, US Coal

Regina Johnson, 202-383-2192

Markets Editor

John P. Miller, 202-383-2168

Associate Editors

Steve Hooks, 276-236-0820
 Peter Theodore Gartrell, 202-383-2273
 Beth Ward, 202-383-2190

Editorial Director, North American Gas & Electricity Markets

Brian Jordan

Editorial Director, Global Power

Larry Foster

Vice President, Editorial

Dan Tanz

Platts President

Larry Neal

Coal Trader is published every business day by Platts, a division of The McGraw-Hill Companies. Registered office: Two Penn Plaza, 25th Floor, New York, NY 10121-2298

Officers of the Corporation: Harold McGraw III, Chairman, President and Chief Executive Officer; Kenneth Vittor, Executive Vice President and General Counsel; Jack F. Callahan, Jr., Executive Vice President and Chief Financial Officer; John Weisensteil, Senior Vice President, Treasury Operations.

Prices, indexes, assessments and other price information published herein are based on material collected from actual market participants. Platts makes no warranties, express or implied, as to the accuracy, adequacy or completeness of the data and other information set forth in this publication ('data') or as to the merchantability or fitness for a particular use of the data. Platts assumes no liability in connection with any party's use of the data. Corporate policy prohibits editorial personnel from holding any financial interest in companies they cover and from disclosing information prior to the publication date of an issue.

Copyright © 2011 by Platts, The McGraw-Hill Companies, Inc.

All rights reserved. No portion of this publication may be photocopied, reproduced, retransmitted, put into a computer system or otherwise redistributed without prior authorization from Platts.

Permission is granted for those registered with the Copyright Clearance Center (CCC) to photocopy material herein for internal reference or personal use only, provided that appropriate payment is made to the CCC, 222 Rosewood Drive, Danvers, MA 01923, phone (978) 750-8400. Reproduction in any other form, or for any other purpose, is forbidden without express permission of The McGraw-Hill Companies, Inc. For article reprints contact: The YGS Group, phone +1-717-505-9701 x105 Text-only archives available on Dialog File 624, Data Star, Factiva, LexisNexis, and Westlaw. Platts is a trademark of The McGraw-Hill Companies, Inc.

To reach Platts

E-mail: support@platts.com

North America

Tel: 800-PLATTS-8 (toll-free)
 +1-212-904-3070 (direct)

Latin America

Tel: +54-11-4804-1890

Europe & Middle East

Tel: +44-20-7176-6111

Asia Pacific

Tel: +65-6530-6430

Manager, Advertisement Sales

Ann Forte

Advertising

Tel: +1-720-548-5479

The McGraw-Hill Companies

barrel, driven down by a firm US dollar, sliding equities and increases to weekly US inventory levels. The dollar found support from a surge in existing home sales, and a decline of 37,000 in weekly new-claims jobless figures. In global data, China's Q4 gross domestic product grew 9.8% from the prior year, ahead of the 9.6% rise reported in Q3. Analysts had been calling for growth of just 9.2%.

CAPP interest turns to second-half 2011

In the front half of the CAPP barge curve, March 2011 traded at \$74/st for five barges, \$1.50/st below Wednesday's Platts assessment. Q2 2011 opened at \$74/st, before falling to \$73.50/st and \$73.25/st, each for five barges.

Q3 2011 traded at \$75.40/st for 10 barges before trading down to \$75.25/st for five barges twice.

Turnover in the Q4 2011 term accelerated, trading at \$77.50/st, \$77.40, \$77.30/st and \$77.25/st, each for five barges. Q4 contracts then traded lower at \$77.20/st for five barges three times.

Into 2011, front half over back half traded once at a discount of \$2.50/st for five barges. Outright, Cal 2012 traded at \$81/st and \$80.75/st for 10 barges each, before pushing down to \$80.50/st for 20 barges.

In the CAPP rail (CSX) physical market, February 2011 traded at \$71.50/st for the delivery of two trains. Early in the session, Q2 2011 traded at \$74.50/st and second-half 2011 traded at \$77.75/st.

CAPP rail swaps traded in a spread of Q3 2011 over Q4 2011 at a discount of \$1.65/st for 5,000 st, and in the Cal 2013 term at \$84.50/st for 10,000 st.

Ex-Coal creek PRB 8,400 traded once at \$11.35/st in the February term for the delivery of two trains.

CAPP prices show limited Wed. gains

On Wednesday, January 19, in the NYMEX Appalachian Coal (physical) market, 185 deals were settled, including: 10/month in February 2011, 10/month in April, 20/month in May, 10/month in June, 15/month in Q3 and 10/month in Q4 2011. Five contracts/month were settled through full year 2012 and 30/month through full year 2013. Open interest was 8,300.

Prices for 2011 were strong, posting gains across the curve. February rose 27 cents to \$75.52/st and March rose 10 cents to \$75.35/st. Q2 increased 20 cents to \$74.75/st, Q3 rose 20 cents to \$76.58/st and Q4 gained 25 cents to \$78.43/st.

Settlement prices for 2012 quarters were higher: Q1 gained 24 cents to \$80.17/st, Q2 rose 15 cents to \$81.13/st, Q3 moved up 23 cents to \$82.28/st and Q4 was higher by 37 cents to \$83.27/st. CY 2013 contracts all gained 27 cents to \$83.95/st.

In the Eastern Rail Delivery CSX coal swap market, 189 contracts were settled, including: 60/month in March 2011, 41/month in Q2 2011, and 11/month in Q3 and Q4. Open interest stood at 7,445.

Settlement prices were mixed, continuing to fall in the front end. Front-month February fell 17 cents to \$73.05/st and March lost 15 cents to \$73.65/st. Q2 2011 lost 5 cents to \$75.73/st, Q3

rose 20 cents to \$77.85/st and Q4 was up 27 cents to \$79.55/st.

In 2012, Q1 rose 38 cents to \$81.83/st, Q2 gained 35 cents to \$82.35/st, Q3 moved higher by 35 cents to \$83.10/st and Q4 was up 43 cents to \$83.75/st. CY 2013 rose 45 cents to \$84.83/st.

In the Western Rail Delivered PRB Coal swap market, no contracts were settled and open interest held at 2,060.

Settlements were mixed along the curve, dipping negative in the Q3 2011 term: Front-month February rose 1 cent \$13.08/st while March held unchanged at \$13.28/st. Moving further along the curve, Q2 2011 rose 2 cents to \$13.65/st, Q3 gained lost 1 cent to \$14.07/st and Q4 rose 7 cents to \$14.42/st. In 2012, all quarters gained 6 cents to \$14.59/st, \$14.81/st, \$15.04/st and \$15.29/st.

Thursday's settlement prices were unavailable by press time.

— John Miller

NEWS

Warrior underground mine resumes production

Warrior Coal's underground mine in western Kentucky has resumed production a week after it was idled over concerns about a methane gas buildup in an abandoned section.

"As far as I know, things are back to normal," Heath Lovell, a Warrior Coal general manager, said Thursday. Linda Potter, an official with the Kentucky Department of Natural Resources, said normal production started back up Wednesday evening.

The mine north of Madisonville, owned by Alliance Resource Partners, is one of the largest in the region, producing about 6 million short tons annually. That means it potentially lost about 125,000 st of production while it was idled.

After methane gas was detected in an abandoned area of the mine on January 12, the company evacuated miners as a precaution. A surface drilling rig that was in the process of boring a hole so that sampling tubes could be dropped into the mine for monitoring the atmosphere apparently hit another pocket of gas, igniting it and creating a "fireball" that traveled more than 400 feet to the surface and burned the two drillers (*PCT 1/14*). Both of the workers, whose identities have not been released, have been discharged from the hospital. The fire was extinguished January 14.

According to Potter, the worked-out area where the methane gas was detected was sealed off on Sunday. Production did not resume for a few days because "the seals go through a transition phase and there is a waiting period for conditions behind the seals to reach acceptable air quality," she said.

The bore hole was plugged last weekend to prevent more gas from leaking to the surface. Warrior Coal produced 6.3 million st in 2009 and 4.5 million st through the first three quarters of 2010. The mine has about 350 employees.

— Bob Matyi

Groups appeal Alabama mining permit

Two Alabama environmental groups are appealing the approval of a 2009 coal mining permit by an administrative law judge. The groups claim that the permit violates federal and state water-quality laws.

The Southern Environmental Law Center, on behalf of Black Warrior Riverkeeper and Friends of Locust Fork River, filed the petition with the Alabama Court of Civil Appeals on Wednesday.

"This permit should not have been issued and we will continue to advocate its revocation," Black Warrior Riverkeeper spokesman Nelson Brooke said in a statement issued Thursday.

The Alabama Department of Environmental Management issued the permit for the Rosa mine in Blount County in October 2009. The groups appealed the permit later that year. The Environmental Management Commission held a hearing in February 2010 and ruled that the permit would not harm Locust Fork River. Last summer, the groups filed an appeal with the Montgomery County Circuit Court, which upheld the commission's ruling in December.

Calling it a "rubber stamp permit," the groups argue that ADEM did not conduct a site-specific environmental analysis prior to issuing the permit for Rosa. SELC said the Rosa permit is almost identical to one issued to the proposed Shepherd Bend Mine in Walker County, which the organization is also challenging.

The groups said the permit did not require a pollution abatement and prevention plan from the company, allowed pollution to be discharged to an already impaired stream, granted a blanket exemption for all pollution limits when it rains, and failed to require limits on chlorides, aluminum and other contaminants that are common problems with coal mine discharges, according to information from SELC.

"The permit that ADEM issued for this huge industrial operation is woefully deficient — there are virtually no meaningful protections for the Locust Fork," Gil Rogers, senior attorney at SELC, said in a statement. "We are committed to protecting these resources and the communities that depend on them, and we are not giving up the fight."

SELC said that there are few coal mine permits that have been appealed to Civil Appeals.

In the past 15 years, there have been fewer than 20 appeals before the court involving ADEM permits, but this includes all permits, not just coal mining permits, according to information from the court clerk.

Rosa, operated by Vancouver, British Columbia-based Novadx Ventures subsidiary MCoal, is a 3,255-acre coal mine about 40 miles north of Birmingham in Bounty County, Alabama. The company plans to recover about 600,000 tons of metallurgical coal from the mine through auger mining techniques, according to Novadx's website. In August, the company announced it was adding a second shift at the site and production was accelerating (*PCT 8/30/10*).

Stephen Gidiere, an attorney with Balch & Bingham in Birmingham who represents MCoal, said he had not yet

seen the filing.

"But I will say we strongly believe there is no basis for this appeal. The trial judge, the administrative law judge, the Environmental Management Commission and the Alabama Department of Environmental Management have all reviewed this permit and have all found [ADEM] was correct in issuing it," Gidiere said Thursday.

ADEM spokesman Scott Hughes said the agency does not comment on pending legal matters.

— Beth Ward

NRP maintains liquidity for acquisitions: FBR

Natural Resource Partners, the first coal industry master limited partnership to issue guidance prior to releasing fourth-quarter results, has enough available liquidity at \$333 million to offset planned acquisition-related payments of \$150 million over the next two years, according to an analyst.

NRP announced Wednesday that it "does not anticipate a significant increase in production" from its royalty-earning properties, putting coal royalty revenues in the range of \$235 million-\$270 million this year on 42 million-52 million short tons from its coal-producing lessees (*PCT 1/20*).

In a Thursday report, FBR Capital Markets said that NRP's 2011 production and earnings guidance "came in slightly below our expectations as the company now anticipates that production growth will be limited, given delays in commissioning the new longwall at the Deer Run mine [in Illinois], now expected in 1Q12, versus 2H11 earlier. While we partially expected this and lowered our Illinois Basin production forecast in our December 20, 2010 outlook report, we modestly reduce it again. Accordingly, we also lower our 2011-2013 [earnings per unit]/EBITDA estimates by an average 13%/10% to reflect the slower production ramp."

FBR maintained a price target of \$31 on NRP units and a "Market Perform" rating.

The analyst's thumbs-up on NRP's liquidity is significant in that the Houston-based NRP, which collects royalties for coal mined on its properties in the Illinois Basin, Appalachia and the northern Powder River Basin, has been active in acquiring various coal properties in recent years. Most recently, on January 13, NRP announced it completed its fourth acquisition of coal properties at Deer Run, in Montgomery and Bond counties, Illinois (*PCT 1/18*).

FBR said that, broadly, NRP's guidance "was in line with our expectations" but production guidance was slightly lower reflecting delays of several months in bringing the Deer Run longwall online.

The last New York Stock Exchange trade of NRP units, just minutes before Thursday's closing bell, put the price at \$33.20, down \$1.84, or 5.25%, from Wednesday.

NRP tentatively expects to announce Q4 and full-year 2010 results after the market closes on February 10.

— Steve Hooks

UP reports strong Q4 revenue growth, profit

Strong intermodal and industrial products revenue drove Union Pacific to profits of \$775 million during the fourth quarter, a 41% jump over the previous year.

The Omaha, Nebraska-based railroad reported a 4% increase in energy shipments, which include coal, to 519,000 carloads during the three-month period, good for segment revenue of \$887 million, a 16% increase. Per-car revenue in the energy group jumped 11% to \$1,709/car.

The company said coal stockpiles among Powder River Basin- and Colorado/Utah-fed power plants in its service region were at or slightly below — by a day or two — normal levels, which typically range between 45 and 60 days. Asked by analysts about moving western coal into supply gaps created by eastern coal moving overseas, executives said there was a lot of talk, but little action.

The export market toward the West Coast, however, remains strong, with room to grow — up from 1 million short tons in 2010 to 2 million or 2.5 million st this year, and as much as 5 million st within five years.

Operating revenue grew 18% to \$4.41 billion on freight revenue of \$4.17 billion, also an 18% increase. The company spent \$234 million buying back 2.5 million shares at an average price just below \$90.

CEO James Young had strong words for the Surface Transportation Board, as the regulatory agency prepares a hearing on competition within the railroad industry. He plans to defend the replacement-cost model that railroads have advocated, and said flatly that he would cut the company's \$3.2 billion capital budget in 2011 if return on capital was negatively impacted by federal regulations.

Young said the industry planned to meet with Obama administration officials at the White House next week, where he expected the contentious issue of positive train control to be on the table. A source with knowledge of the meeting, speaking on condition of anonymity, said CEOs planned to meet with the Council of Economic Advisors.

A spokeswoman for the Association of American Railroads said such meetings were routine. A White House spokeswoman had no comment.

— Peter Gartrell

Coal, utility companies ink Chinese business

As President Barack Obama and Chinese President Hu Jintao hold state-level meetings, a range of utility, fuel technology and mining companies have moved to close business deals with Chinese partners.

White House figures, released Wednesday, placed the total value of new US-Chinese business agreements at \$45 billion, stating that “a number of these transactions highlight the increased collaboration in such areas as clean energy and green technologies.”

On the mining side, St. Louis, Missouri-based Peabody

Energy has taken the lead, announcing energy projects in Xinjiang and Xilinguole, China.

Teaming with Chinese-based Yankuang Group, Peabody plans to build the Wucaiwan Energy Center in the Zhundon region of Xinjiang. The facility will include development of a 20 million-metric ton/year surface coal mine, supplying a 2-GW supercritical power plant and a substitute natural gas facility.

Peabody will provide mining and management technology to develop the Wucaiwan coal reserve, which is estimated at 4.6 billion mt. The miner stated coal production in the wider Xinjiang region could increase to an annual output of 1 billion mt by 2020, from 87 million mt in 2009.

In the second contract, Peabody announced it will team with China Huaneng Group and US-based Calera Corp. “to pursue development of a green coal energy campus in Xilinguole Region of Inner Mongolia.” The development will include a 1.2-GW supercritical power plant with a portion of its CO₂ emissions captured and converted in building materials.

Peabody is to operate and mine a corresponding 12 million-mt/year surface mine that will fuel the power plant.

Chinese electric power capacity is expected to increase by 80 GW in 2011 alone, according to Peabody, “representing several hundred million tons of additional coal use.” Gross Chinese coal demand is projected to rise by 1 million mt in less than five years, bringing annual usage to 4.3 billion mt, according to the China National Energy Administration.

Announced commercial relations include:

- General Electric-Shenhua Gasification Joint Venture — GE and China Shenhua Energy of Beijing have formed a joint venture in order to combine expertise in gasification and cleaner power generation technologies with expertise in building and operating gasification and power generation facilities.

- LP Amina MOU with Beijing Energy — LP Amina signed a memorandum of understanding with Beijing Energy to sell de-nitrification engineering, equipment and other potential environmental and boiler efficiency improvement solutions.

- Caterpillar — Caterpillar China Investment will sign an agreement under which \$1.4 billion in US-manufactured mining and construction equipment, and diesel and gas turbine engines, will be shipped to China.

- LP Amina MOU with Yixing Union Congregation — Amina signed an MOU with Yixing to formalize plans in advance of an expected contract signing, which will establish a collaborative pilot project to demonstrate a coal-to-chemicals system.

- AEP-China Huaneng — American Electric Power signed cooperation agreements with three Chinese entities — China Huaneng, State Grid of China and China National Offshore Oil. The cooperation agreement with China Huaneng relates to evaluating a carbon-capture-and-storage technology developed by China Huaneng and improving the efficiency of coal-fired power plants.

- Duke Energy-ENN Group Eco-City MOU — ENN Group and Duke Energy have concluded an MOU outlining the

terms of cooperation in the development and utilization of clean-energy solutions for the Eco-City, a demonstration project intended to showcase clean coal, electric vehicles and energy-efficient building technologies in Langfang, China.

■ **Emberclear and CERL Licensing Agreement** — EmberClear signed an exclusive license with Clean Energy Research Institute, a subsidiary of Huaneng Power Group of China, to become a global licensing and development partner.

— *John Miller*

Cloud ... *from page 1*

While it is widely known that coal companies are studying multiple options — including building new terminals — to export coal to hot Asian markets, Ridley has been seen as an extreme option because of the distance from the PRB.

The distance is roughly equal to the route from PRB mines to Southern Company’s Scherer power plant outside Atlanta, currently the longest haul for large volumes of PRB coal. Ridley is more than 600 miles north of Vancouver, where most West Coast-bound exports are being routed through the crowded Westshore Terminals.

“It’s necessary because there’s just not a lot of port capacity,” Karla Kimrey, a Cloud Peak spokeswoman, said of the decision to move through Ridley. “It is a long way, but we were able to make it work.”

Cloud Peak will move 9,350-Btu/lb coal to Ridley from the Spring Creek mine in Montana, which also is scheduled to move 3 million mt through Westshore. Kimrey said the coal is being purchased by Korean and Taiwanese customers. Cloud Peak has a contract for capacity at Ridley through the end of the year, but has not begun shipments.

An Enserco official declined to disclose the origin, destination or full-year tonnage for its shipments, citing confidentiality agreements. The company is a subsidiary of Black Hills Corp.

Ridley shipped 8.3 million mt of coal in 2010, with room for up to 12 million mt. The Arch deal is scheduled to ramp up to 2.5 million mt in 2012 through 2015.

“We anticipate that we will primarily ship PRB coal through Ridley, although we will continue to talk with customers about interest in exporting Western Bituminous coal from that port facility as well,” Arch spokeswoman Kim Link wrote in an email.

The government-owned terminal is studying the possibility of doubling its existing coal capacity by 2015, and an official said at the time of Arch’s announcement, that it was an important move for the facility.

Companies using Ridley for export sales are getting domestic market prices “or better, or they wouldn’t be doing it,” Jeff Price, managing director of coal marketing and sales for Enserco, said. “People are looking for some diversity of supply.”

He added, “If you looked at it for a while, the prices have been fairly strong. I think it’s taken some time to get some of the supply chain economics to line up.”

While the recent moves are likely to benefit coal companies’ bottom line, transportation officials at two major US power companies are confident they will not push up coal prices in domestic markets, even with higher margins for tonnage to Asia. At this point, Canadian ports could ship more than 9 million short tons of US coal in 2011, accounting for nearly 10% of the export market, but less than 2% of total PRB output.

“We wish them well as long as exports don’t get large enough to impact our markets,” one official, speaking on condition of anonymity, said of the Arch deal.

Arch’s announcement of the Ridley terminal deal followed the company’s investment in a proposed terminal on the Columbia River in Longview, Washington. That deal guarantees the St. Louis coal producer another 2 million tons of capacity at Millennium Bulk Terminals, which plans to start up in 2012.

Ridley is served by Canadian National Railway, which will receive coal from BNSF Railway, the owner of northern routes from the PRB. A Canadian National spokesman said the railroad had yet to begin shipments for Arch tons.

BNSF declined to comment, while emails to Arch representatives were not returned by press time.

— *Peter Gartrell*

Platts US daily assessments, Jan 20

	Bid	Offer	\$/allowance	Change	\$/st
S02					
2011	3.00	4.00	4.00	0.00	8.00
2012	3	4	2.00	-1.00	4.00
2013	2	3	2.00	0.00	4.00
NOx					
Bank	22.00	35.00	30.00	0.00	30.00
2011	22	35	30.00	1.00	30.00
2012	25	35	20.00	0.00	20.00

The bank NOx reflects vintages from 2009 and prior. Under the Clean Air Interstate Rule that took effect January 1, the US Environmental Protection Agency will no longer discount allowances for the NOx bank. EPA, however, will discount SO2 allowances. Now, two SO2 allowances will equal one short ton of emissions. For methodology, visit www.emissions.platts.com. Please send contributions to the Platts’ daily assessments of the SO2 and NOx markets to emissions@platts.com

Senator ... *from page 1*

senator’s spokeswoman Emily Lawrimore said Thursday.

Lawrimore said Barrasso is still working on the specifics of this legislation and how it might undo EPA’s January 2 regulation of GHGs from new and modified power plants, refineries and other stationary sources through the Clean Air Act’s permitting process.

“We are looking into changes that may need to be made as a result of that reality — dealing with retroactive application, for example, or how changes at the federal level interact with what the states are doing,” she said.

Senate staff and industry lobbyists said Barrasso’s mea-

sure will build on a proposal offered last year by now-retired Senator George Voinovich, an Ohio Republican, to preempt federal, state and local authorities from promulgating GHG regulations unless necessary to protect the public health from “imminent and substantial harm” from direct exposure. Voinovich’s draft bill aimed to exempt the agreement the auto industry made with the Department of Transportation to reduce tailpipe emissions of GHG.

Barrasso’s bill will focus only on GHG emissions from industries and not address the suite of EPA regulations coming out in the next couple years to control power plant emissions, Lawrimore said. The federal regulator will propose a “maximum achievable control technology” standard on mercury in March and final rule in November. Other key regulations will involve nitrogen oxide and sulfur dioxide.

How many senators will support Barrasso bill is unclear, but coal-fired generation interests see the legislation as a credible means to halt federal regulations that would drive up their costs and threaten their operation. Other measures, such as a two-year suspension of existing EPA authority to

regulate GHGs, are in the mix.

The Republican majority in the House of Representatives also has made clear it will advance some form of legislation to stop EPA regulation of GHGs. House Energy and Commerce Committee Chairman Fred Upton, a Michigan Republican, plans to hold hearings on such legislation next week and is expected to move the bill quickly.

Scott Segal, a partner at Bracewell & Giuliani and director of the Electric Reliability Coordinating Council that represents coal-fired generation, said he believes there are at least 10 Democrats in the Senate that could join with Republicans to pass legislation to stop EPA regulation of GHGs.

“The Barrasso legislation is based on one simple premise: existing regulatory authority from whatever source should not be used to regulate greenhouse gases unless and until the Congress has authorized it,” Segal said. “As long as supporters stay on message, the Barrasso approach is defensible politically and on the merits.”

— *Cathy Cash*

19th Annual
platts **Coal Properties & Investment**

**Export Growth, New International Markets,
and Regulatory Challenges**

March 15–16, 2011 • PGA National Resort & Spa • Palm Beach Gardens, Florida

Register by February 11, 2011 and SAVE \$200

Platts **19th Annual Coal Properties & Investment** is the leading conference for the finance and investment side of the coal industry. Meet the leading coal producers, traders, investors, and buyers.

The event takes place at the exclusive PGA National Resort and Spa, a premier venue in Palm Beach Gardens, Florida.

For 2011, the conference focuses on the key areas for an increasingly global industry:

- Export oriented coal production
- Demand outlook for coal in China and India
- European demand for steam coal
- International markets for metallurgical coal
- Railroad and export terminal capacity
- Coal and natural gas switching
- Regulatory and permitting challenges
- Coal mergers and acquisitions — Calculating risk

For more information, a complete agenda or to register and SAVE \$200, please visit us online at www.coalproperties.platts.com or call us at 866-355-2930 (toll-free in the US) or 781-430-2100 (direct).

For more information and speaking opportunities, contact:

Ron Berg
Tel: 781-430-2118
ron_berg@platts.com

For sponsorship opportunities, contact:

Joshua Vernon
Tel: 781-430-2113
joshua_ernon@platts.com

For media inquiries, contact:

Gina Herlihy
Tel: 781-430-2109
gina_herlihy@platts.com

Registration Code: PC110-NLI